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TRA DOCKET ROOM
June 28, 2004

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VIA HAND DELIVERY

Hon. Deborah Taylor Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37238

Re. *Petition for Exemption of Certain Services*
Docket No 03-00391

Dear Chairman Tate

Enclosed are the original and fourteen copies of the BellSouth's and Citizens' *Proposal Regarding Relief Sought*. Copies of the enclosed are being provided to counsel of record.

Very truly yours,

Guy M. Hicks

GMH:ch

BEFORE THE TENNESSEE REGULATORY AUTHORITY
Nashville, Tennessee

In Re: *Petition for Exemption of Certain Services*

Docket No. 03-00391

PROPOSAL REGARDING RELIEF SOUGHT

Petitioners BellSouth Telecommunications, Inc. ("BellSouth") and Citizens Communications Company of Tennessee, LLC ("Citizens") (jointly "Petitioners") file this proposal outlining the relief Petitioners seek related to intraLATA toll services in this docket.

T.C.A. § 65-5-208(c) establishes a process for reducing regulation of services. That statute specifically mandates that the TRA shall exempt services from regulation when existing and future competition is sufficient to regulate the price of such services. As demonstrated by the record in this docket, intraLATA toll services presents a compelling example of a service ripe for relief under this statute. In fact, as established in discovery conducted in this docket, no party is contesting the fact that competition for intraLATA toll services is sufficient to regulate the prices of such services. Consequently, with respect to intraLATA toll, the sole issue in this docket is how to fashion the relief that the statute requires in this case. Pursuant to the amended schedule established in this docket, the parties will file briefs and may seek oral argument addressing that relief. Also pursuant to that schedule, Petitioners file this Proposal to outline the relief they seek in light of the uncontroverted evidence regarding intraLATA toll competition.

In Section 65-5-208(b), the General Assembly has afforded the TRA flexibility to fashion exemption relief, stating that the TRA may exempt a service from “all or part” of the requirements contained in Tennessee’s Telecommunications Act.

Petitioners propose that the Authority issue an order exempting intraLATA toll services to the full extent permitted under the statute, with the following specific exceptions:

1. ILECs shall be required to file with the TRA a price list setting forth the prices at which intraLATA toll services are offered in Tennessee. Changes to this price list shall also be filed with the Authority. This price list shall not constitute a “tariff.” Consequently, changes to these price lists shall be effective upon filing to ensure market pricing flexibility.
2. ILECs shall be prohibited from pricing intraLATA toll services below cost.¹ Upon complaint, or on the Authority’s own motion, the Authority may determine whether an ILEC’s intraLATA toll service has been offered below cost, which offering would constitute a violation of the order in this docket.
3. The ILECs’ published price list shall be referenced in, but not included in, its tariffs establishing terms and conditions for its intraLATA toll services
4. Federal resale obligations relating to intraLATA toll service shall not be affected by the order exempting services in this docket, and resale, where required by federal law, shall be based upon the prices reflected in the price list. Likewise, BellSouth shall continue to account for its intraLATA

¹ While the statute also permits the TRA to exempt a service offered by an ILEC from the price floor (T C A 65-5-208(c)), the Petitioners here do not seek an exemption permitting them to offer below-cost intraLATA toll service

toll revenue in a manner consistent with Federal rules and the exemption shall not affect its price regulation filing.

Petitioners believe that the record in this docket is not complex. There are no factual disputes, and it is clear, as a matter of law that exemption is required by the mandatory language of T.C.A. 65-5-208(c) By entering an order containing the uncomplicated provisions outlined above, the Authority will fulfill its duty under the statute to transition competitive regulated services to a market-based model, as intended by the General Assembly. Nothing in the relief sought prevents parties from coming to the Authority to seek relief for below-cost pricing. Nothing in the relief sought would limit the Authority's continued regulation of the terms and conditions for such services, which would remain part of the ILECs' tariffs. What the relief sought would do is provide ILECs the opportunity of increased pricing flexibility – enabling them to compete, in real time, with the many competitors, identified in this docket, who offer such services in Tennessee.

Respectfully submitted,

BELLSOUTH TELECOMMUNICATIONS, INC.

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CERTIFICATE OF SERVICE

I hereby certify that on June 28, 2004, a copy of the foregoing document was served on the parties of record, via the method indicated:

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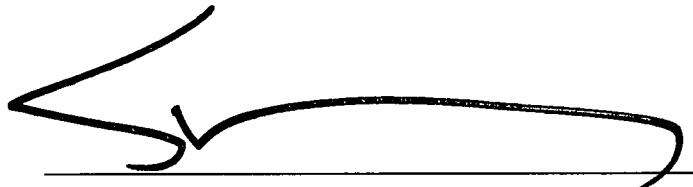
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